

E-business has been a tad over-hyped,
but it does have huge potential.

And CAs are in the best position to lead
businesses down the
e-commerce path

THE Evolutionaries

It's been a long and torturous few years as we've watched the Internet era unfold. Breathless headlines, weekly buzz-phrases, instant billionaires and huge (often ridiculous) market valuations... the Internet and the world of electronic commerce have certainly helped to bring a bit of fun to the corporate world.

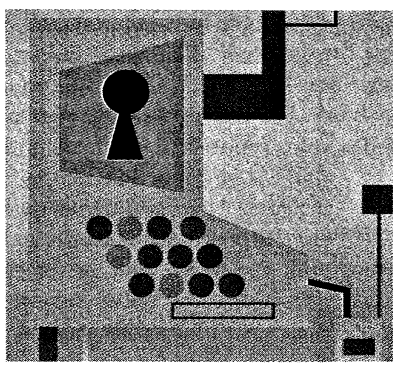
And, even though the hype is sometimes overwhelming, the fact remains that something big *is* going on. I think all of us appreciate that the wired economy is leading to a world in which there are ever-changing business models, dramatic new forms of competition, massive market and distribution challenges, and countless other developments. Add to this the relentless rate of change imposed by the Internet on business, and it is evident that the Net will continue to have a significant impact on every company in every industry — indeed, to think that anyone

is immune to its impact would be sheer folly.

Yet, lost in all this day-to-day craze is the fact that we have set out on a lengthy, arduous journey that's far bigger in scope and far more complex than anything we have experienced with computers so far. And related to that reality is another fact: few executives or organizations really understand what e-biz and e-commerce are really all about.

That isn't surprising — after all, it has been a tremendous challenge for any executive to figure out e-business, given the massive and often-ridiculous hype that has surrounded

BY JIM CARROLL



We're in the very early stages of a trend that will link the financial and other transaction systems of various organizations

anything Internet-related over the past five or six years.

Sadly, the history of e-commerce so far is littered with the failed visions of many a "hi-tech visionary," the wreckage of nonsensical business models, the broken dreams of countless entrepreneurs and page after page of media reports. And the thing is, most of those predicting the future have been dreadfully wrong from the very start.

Missing the picture

It all began with the "information highway." Remember when, back in 1994, the hype machine first began to crank? At that time, many companies looked longingly toward a world in which people would be able to shop from the comfort of their sofas, pointing and clicking their way through an interactive TV screen. Executives planned grand strategies by which they could expand their market reach to a world of couch-potato androids eagerly clicking away in an on-line-shopping nirvana.

Strike one. The information highway did not emerge on the television — it came into existence on the computer screen, in the form of the Internet.

That didn't stop the enthusiasm; the dream of on-line shopping simply transferred itself over to the Internet and the World Wide Web. Thus began an even more intense orgy of media and hi-tech-industry enthusiasm for the world of consumer interaction on line. "*Consumer shopping on the Internet is the future!*" screamed the headlines. "*On-line sales set to explode!*" How quickly the march to the future began: we soon saw the rapid emergence of the retail on-line sector, full of folks who were eager to establish an Internet site by which they could hawk books, CDs, groceries — even dog food.

Yet, by and large, most of the world tended to ignore such efforts, and continued to flock to shopping malls, "big-box"

stores and local boutiques. Indeed, the signs were obvious that most people preferred the real world for their shopping experiences, even though they might be prepared to buy a few things on line.

At no time was this more evident than during the 1999 Christmas season. I was inundated with phone calls from reporters working on stories with an on-line Christmas-shopping angle. "Is this the year of the big retail revolution?" they'd ask, seeking my sound bite. "I suppose," I'd respond, "but I just came back from the mall and couldn't get a parking space."

About that time, two seminal but little-noticed media reports heralded the end of the hype-phase of the on-line retail revolution. First, the *New York Times* reported on a study suggesting that, in 10 years, Internet retail sales might equal 7% of global retail sales. *Hello!* While that might seem a big number to some, it clearly signalled that the on-line retail sector would be nothing close to what all the noise had been indicating, since, out of every dollar we might use to purchase goods or services, 93 cents of it would be spent in local stores and malls.

The other piece of news was that, just before Christmas, Levi shut down the section of its web site where it had been trying to sell blue jeans. Apparently the company discovered that people like to try these things on. I marvel at such failure to recognize the obvious.

And so the on-line world was faced with strike two. No more, it seemed, would we be bombarded by press releases from dot-com startups whose secret to business success seemed to be giving away stuff at a loss and making it up in volume.

That didn't deter the craze. If on-line consumer shopping wasn't where it was at, went the logic, then on-line business shopping must be the salvation! And so went the assembled hordes of entrepreneurs, investment bankers, media reporters, pundits and experts into the NEXT BIG

THING: "B2B" — business-to-business. "On-line industry vertical portals" and "on-line vertical markets" were suddenly the future, it was proclaimed.

And so the year 2000 began — with another massive wave of exaggerated publicity engulfing us. Yet, it quickly became apparent that many of these initiatives were little more than press-release-fuelled photo-ops. After all, most seemed to fit one of two categories. Some were merely on-line auction sites aimed at a business audience; people were taking the eBay business model and setting out to apply it to the business world. The grand hope was that purchasing agents worldwide would suddenly abandon their traditional contacts and flock to the on-line equivalent of a Moroccan bazaar.

The others? They featured grandiose press conferences with statements from CEOs in key industries, such as automotive, aerospace, chemical and hi-tech. Billions of dollars of purchasing would be moved to an on-line site, it was said. Read between the lines, though, and there were, for most of these announcements, precious little detail about how such a complex undertaking might occur. The strategy might be very real, but some thing was missing in terms of the implementation, it seemed. Strike three.

The bottom line? Sadly, many of the key e-biz strategies we have seen in the past few years have been completely off the mark. The result of all of the hype is that many executives are shell-shocked when it comes to the Internet and e-commerce — they barely know if it is real and whether what they are hearing makes any sense at all.

It's all about paper

E-biz and e-commerce are very real, and they aren't about on-line shopping or auction sites. They're about re-engineering the transactions that drive our economy.

And the fact is that accountants probably have, more than any other group of

business professionals, the greatest insight and deepest understanding of the potential of e-biz. That's because no one understands better than we do the paper trail that exists in our economy.

To understand e-biz is to appreciate that it is the next step in the long road of computerization of the financial and transaction systems of the business world. Quite simply, e-biz is all about slowly moving away from the paper transactions that occur between organizations to a world in which an increasing number of those transactions occur electronically.

Think about today's typical enterprises. Most still receive paper purchase orders, for which they generate paper shipping orders, resulting in paper invoices, which are summarized on paper accounts-payable statements, which are mailed in paper envelopes, only to be filed away — in duplicate and triplicate — in drawers crammed with paper. The whole maddening paper exercise is completed when balances owing are paid off through the use of paper cheques.

Computers, of course, were to eliminate the use of paper — wasn't that the plan? In the halcyon days of the computer revolution in the late '60s and early '70s, many futurists spoke fondly of the forthcoming paperless office. Today, of course, we use so much paper in the corporate world that we are buried in it — one estimate suggests that so much paper is used each year that we could build a wall 12 feet high from New York to Los Angeles — about the distance from Halifax to Calgary.

And so the corporate world, while it has succeeded in computerizing many internal operations, has done little in extending the reach of its computer systems to the outside world. With the exception of companies that have become heavily involved in Electronic Data Interchange (EDI), the transaction systems of most organizations operate in splendid isolation.

The interconnected financial system

So what is e-biz? It removes that isolation and extends those systems to customers, suppliers, trading partners and other organizations with which a company has a relationship. Quite simply, it's a way of doing business in which transactions between organizations are done electronically. The fact is, we are in the very early stages of a trend that's starting to link the financial, accounting and other transaction systems of differing organizations. That's real e-biz: a web of financial trans-

action systems, inter-linked and inter-operating, not with the intent of improving top-line revenue but with putting into place efficiencies and savings.

What makes this work are integrated financial systems as well as a category of software known as "middleware." Think about it from two perspectives.

First, step into the world of big-business. Many companies have been busy implementing large-scale financial transaction systems from Peoplesoft, SAP and others. Examine the direction of these companies and you will find that all these systems have been "web-enabled." What does that mean? That a company can extend the reach of its back-end inventory system to a customer so that they can make a direct inquiry via a web site as to a product's availability. Not only that, the web-enabled software lets that customer order the product through the web site. Impact? A move toward electronic, as opposed to paper, transactions. And the opportunity to build these types of business applications isn't restricted to big business. AccPac, a popular accounting tool for small and medium-sized enterprises, has released sophisticated e-biz modules that allow users to do the same thing.

Then there is middleware. Companies like IBM and Oracle released, at the dawn of the Internet revolution, tools to allow web developers to link large-scale corporate databases to the web, allowing businesses that didn't have systems like PeopleSoft, AccPac and SAP to do the same thing. It was the availability of middleware that allowed big banks, brokerages and others to extend their transaction systems to the outside world via the web.

A massively complicated undertaking

We've seen some companies voyage into the opportunities established by integrated financial systems and middleware. Yet, many others, blindsided by the digital-age craze, have not. It is only now that they are beginning to wake up to the opportunity and have come to appreciate real e-biz strategy.

But one other reality looms large: the effort to set up this new "web" of transaction systems is of massive complexity. Two realities demonstrate to us that fact.

One is based on a vivid memory I have as a young CA, back in 1981. A client was computerizing for the first time. I remember observing how some staff struggled and, indeed, fought the company's efforts to change the way in which they worked.

That taught me an important lesson about technology: changing the way people work is much harder than it seems.

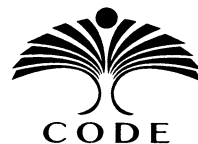
The second reality is that anyone involved in EDI implementation will tell you it is far more difficult than they ever imagined. Necessary are unwavering executive support, significant resources, full-time dedication and lots of time. And, even then, it was still an intensive effort to change the way people worked.

That's why e-biz is going to take a long time to unfold — and why it presents untold opportunities for the accounting sector. After all, who better understands how to build and put into place financial transaction systems, whether they be for internal use or for the new interconnected enterprises of the future?

From my perspective, it is accountants — with our intense insight into systems, transactions, finance and people — who will be the unsung heroes of the digital revolution.

Jim Carroll, FCA, is a popular keynote speaker, author of 28 Internet / e-biz books and a regular columnist for The Globe & Mail. His web site is www.jimcarroll.com.

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